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# EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN

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*Neighing your options*

## Even new teachers should know pension choices

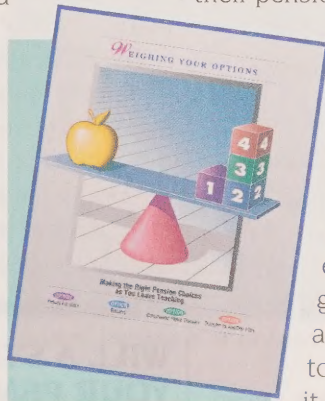
Until last June, David Teak taught secondary school and his wife Brenda taught elementary school for the Metro Separate School Board in Toronto.

David received a lay-off notice in March and is one of many in the province who were told they might not have a teaching job this school year.

Brenda resigned her position. The couple and their eight-month-old son are now in Japan teaching English for what they hope will be the next two years. "We're trying to make the best of a disappointing situation," says David.

David and Brenda (not their real names) have been deciding what to do with their assets, including their pensions. Selling the 87 Toyota Celica proved easier than they had expected and they are storing their furniture with family and friends. David and Brenda, like others who leave teaching before they're eligi-

ble for a pension, will need to make a number of financial decisions—including what to do with the assets accumulated in their pensions.



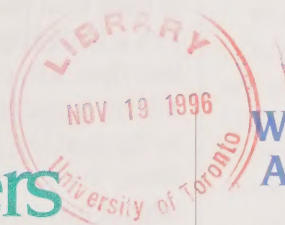
### DECIDING WHAT TO DO WITH YOUR PENSION ASSETS

David plans to leave the assets in his teachers' pension alone. His employer has agreed to give him a leave of absence so he'll be able to buy-back pension credit if he returns to teaching

in Ontario. David is hopeful that teaching jobs will be more plentiful in a couple of years and has chosen to leave the credit he accumulated in the plan.

Brenda, who has taught only one year, may not return to teaching and is seeking advice from her financial planner on what to do with her contributions plus interest. However, if there is a chance Brenda will return to teaching, her best bet is to leave the money in her teachers' pension.

*Continued on page 4*



## WILL A STRIKE AFFECT YOUR PENSION?

Your average best-five years' salary may be affected by a strike, but not your credit.

When a legal strike or lockout occurs, your employer reports a loss of salary, but does not report your absence. This means your credit during a strike is the same as if you had been teaching.

### HOW THIS AFFECTS YOU

Your pension is calculated, in part, based on your average best-five years' salary. If the strike occurs

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## HAVE *Your* SAY...

### RETIREMENT GRATUITY

*"I found your item entitled, 'Fewer deductions means more net pension,' (Exchange Spring 1996) timely and informative. In addition to fewer deductions, teachers can also use or invest their retirement gratuity to help them make the financial transition to pension income."*

Pamela Silcox, City of York

Although we don't administer retirement gratuities, you raise an important point. According to the Education Relation Commission, the majority of teachers are eligible for a retirement gratuity. For teachers hired before September 1985, 80% can earn a full gratuity (an amount not greater than 50%

of their final year's salary) and 15% a limited gratuity (an amount less than 50% of their final year's salary). If you're planning to retire in the next few years, find out about the retirement gratuity offered by your employer.



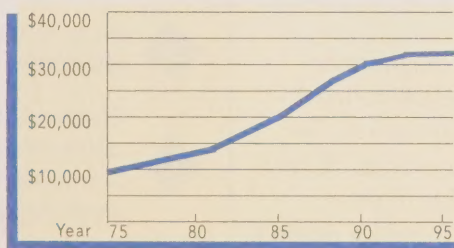
**TIP...** You may be able to defer the tax on your gratuity by transferring the money to an RRSP, but special restrictions apply. We suggest you consult a tax accountant or the *Income Tax Act* first. ■

## Your indexed Teachers' pension—protection against future costs

Even during periods of relatively low inflation, most of us would agree that an indexed pension is a valuable benefit. Just how valuable is illustrated by the following case.

Mary retired in 1975 after a 35-year teaching career with a teachers' pension of \$10,000. Each year her pension was automatically adjusted for inflation according to

the Consumer Price Index (CPI). Today her teachers' pension is \$32,173—that's more than three-

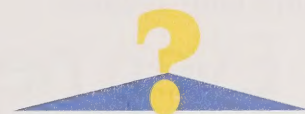


times the original nominal amount.

Without protection against inflation, the spending

power (or real value) of her pension today would have been only a third of her original pension. ■

## What is the QUALITY SERVICE INDEX



The Quality Service Index, or QSI, is a primary tool to measure how well we provide service to you.

We send questionnaires to approximately 500 teachers and retired teachers each month to ask about the service they have received from us. We also send questionnaires to 2,000 members twice a year to ask their opinions about the plan's publications.

The QSI currently stands at 4.52 out of a potential score of 5, and has improved year-over-year since it was introduced in 1992. The improvement of the QSI, as a measure of your satisfaction, is an important annual objective for the organization. ■

### WILL A STRIKE AFFECT YOUR PENSION?

*Continued from page 1*

during one of your best-five years, the loss of salary will reduce your pension.

To avoid this reduction, you, or your federation, can contribute to your pension. When you're ready to retire, contact us and we'll let you know how much it will cost.

During an illegal strike, you lose both salary and credit, and are ineligible to contribute to your pension for the absence. ■



## Teachers' investments making news

### SUN MEDIA

We provided \$70 million of equity in the management-lead buy-out of Toronto Sun Publishing (renamed Sun Media).

Our ownership position is about 48% of the company. Sun Media includes dailies in Calgary, Edmonton, Ottawa and Toronto, five daily community newspapers, 57 weeklies and shoppers, 10 specialty magazines, as well as control of the business daily The Financial Post.

"We expect our investment in Sun Media to yield a good long-term return," says Claude Lamoureux, president and CEO of the Teachers' Pension Plan. "While we may not always agree with the editorial opinions expressed in the Sun newspapers, we respect the freedom of the press."

The Teachers' Pension Plan has a total of \$600 million invested in the media sector,

including shares in Torstar Corp., Southam Inc. and The Thomson Corp. The Sun Media deal closed October 3.

### VANCOUVER OFFICE COMPLEXES

We purchased 50% of three prime Vancouver office complexes from Marathon Realty, adding to the 50% we already owned. The office properties, now owned entirely by the Teachers'



Waterfront Centre: one of the three Vancouver properties purchased

Pension Plan, are: Granville Square, the Station and Waterfront Centre. As is often the case in such deals, the price was not disclosed. The deal was completed September 30.

## How we appoint directors to boards

The recent investment in Sun Media raised some questions about how we appoint directors to boards of companies.

- We have a list of potential candidates to sit on boards of directors on our behalf. We use this list to nominate directors to boards of public companies and for some positions on private boards.
- Our staff and our own directors, made up of equal representation from OTF and the Ontario government, can recommend

individuals for this confidential list. The Teachers' Pension Plan Board reviews this list annually.

- The qualifications we look for in directors are experience running a profitable business, preferably in a related industry, and experience on other boards of directors.
- It is our usual practice to place our senior investment managers on the boards of private companies (like Sun Media). They often need to oversee the implementation of shareholder's agreements with management.



DUDLEY DOOMSAVER

“The government never actually put a cent into the pension plan.”

### CONSIDER THIS:

- Every January the government makes its matching contribution to your pension. In 1995 the government paid \$660 million. Total contributions from teachers and government during that year were \$1.3 billion.
- In addition, the provincial government recently resumed its special monthly payments to the unfunded liability. The payments had been suspended during the Social Contract. This month the government made a special payment of \$36.3 million.
- The government also matches the cost of most purchases of credit.



## SOCIAL CAUSES AND PENSION INVESTMENTS

*Continued from page 5*

### WHAT YOU TOLD US

We conducted a series of focus groups with teachers in North Bay, London and Toronto in August. The independent researcher reported the following regarding social investment:

"Teachers exhibit a fairly high degree of social conscience. Ideally, teachers would like this sense of responsibility to be reflected in the investment strategies pursued by the pension plan. ... Nonetheless, the vast majority place a much higher priority on the financial well-being of the pension plan."

### TEACHERS' RESPONSIBLE INVESTORS WITH CLEAR GOAL

"I want to stress, the Teachers' Pension Plan is a responsible investor all the time," says an emphatic Claude Lamoureux,

president and CEO of the Teachers' Pension Plan.


"We do not invest in companies that break the laws of Canada with respect to such matters as the environment, minority rights, labour practices, or any other standard of acceptable behaviour established by the legislatures and courts of Canada. Nor do we invest in companies for political or ideological reasons."

*We do not  
invest in  
companies  
that break  
the laws of  
Canada.*



Social investment is a complex issue with a simple and clear legal obstacle to its adoption. It makes sense for all of us, as individuals, to promote behavior that demonstrates respect for the environment, respect for the dignity of all living things, and respect for the rights and denied progress of groups that

constitute our diverse society.

We must also recognize that your pension plan exists to achieve one paramount goal—to provide its members with the pension they deserve and expect for the income they have foregone over their working years. 

## CHOICES IF YOU LEAVE TEACHING

*Continued from page 1*

### GET SOUND ADVICE BEFORE YOU DECIDE

If you leave teaching before you're eligible to collect a pension, you'll need to decide what's best for you.

These decisions can affect your financial security for the rest of your life. Even if you have only taught for a few years, you'll find your current pension credit could be quite a valuable asset. To assist you with this decision, we recommend you seek the help of a qualified financial advisor you trust to give you impartial advice.


### LESS THAN TWO YEARS

If you leave teaching before you have two qualifying years of service, you are not yet entitled to a pension. You may leave your contributions in the plan, transfer them to your RRSP or take a cash refund of your contributions plus interest.

### MORE THAN TWO YEARS

After two years, you are vested and locked in. You can select one of the following four options.

- You can defer your pension until after you turn 55
- You may be eligible to take a refund of pre-1987 contributions
- You can transfer your pension's commuted value to a locked-in RRSP if you're under 55 and have not reached the 90 factor (but there are limits to the amount that can be tax sheltered)
- You may be able to transfer to another pension plan.

These alternatives are explained in the brochure entitled, *Weighing Your Options, Making the Right Pension Choices as you Leave Teaching*. If you'd like a copy, just call your customer service specialist. 

## Know Qualifying years from Credit

**Qualifying years** will help you decide **when** to retire.  
**Credit** is used to calculate **how much money** you'll receive.

*Pension terms you encounter once or twice a year may seem confusing.  
If you have trouble remembering the difference between  
qualifying years and credit, the following may help.*

**Qualifying years** are added to your age to determine **when** you can retire.

Your age + **Qualifying Years** = 90 factor

Qualifying years is the tally of the number of years in which you taught for more than 20 days (or any teaching prior to September 1, 1990).

**Credit** is used to calculate the **amount** of your pension. Credit is the actual number of years, months and days you have taught or contributed to the plan.

$2\% \times \text{Credit} \times \text{average best-five salary}$   
= pension before age 65







# Social causes and pension investments

*Legal and practical reasons why ethical screens are not viable for pension plan investments*

**Y**ou won't find companies that make beer, wine, spirits and tobacco products in the personal investment portfolio of Robert Bertram. "It's not that these companies haven't provided a good return on investment," explains Mr. Bertram, "but they manufacture products my wife and I have chosen not to invest in for personal reasons."

Robert Bertram is also the Sr. vice-president of investments for the Teachers' Pension Plan. He earns his living making investment decisions that maximize the fund's assets and financial performance. In his professional role, he manages a \$42 billion fund on behalf of 300,000 teachers, former teachers and survivors. The Teachers' Pension Plan owns shares in virtually every company that trades on the Toronto Stock Exchange, including companies like Molson, Seagram and Vincor.

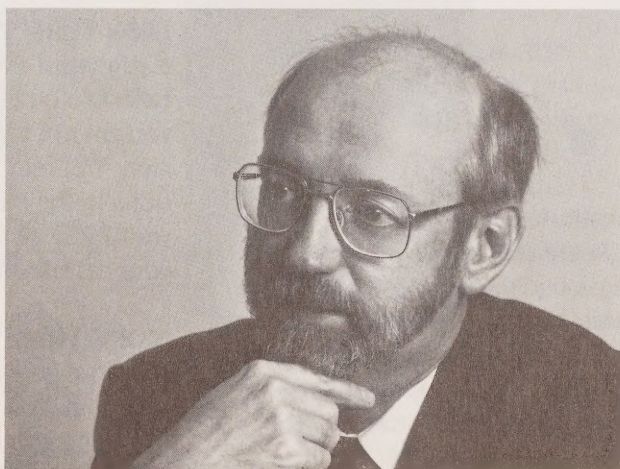
## **IF YOU WANT TO TAKE ACTION, REFLECT YOUR VIEWS IN YOUR PERSONAL INVESTMENTS, SUCH AS RRSPs**

As an individual investor, Mr. Bertram selects investments that are right for his family. As a profes-

sional investor he manages investments on behalf of others for their benefit.

Matters ranging from the environment and disarmament, to animal rights and labour practices are important to teachers throughout Ontario.

These issues appeal to our



*Bertram: investing to secure future benefits for all 300,000 members*

hearts and conscience. In the context of today's society, where quality of life is as important as economic development, they appear to make eminent sense. But using social causes or screens to direct the investments of the Teachers' \$42 billion fund is not viable. Here are two reasons why.

## **PENSION PLAN ENTRUSTED TO PROVIDE RETIREMENT INCOME**

The Teachers' Pension Plan is charged with investing money

and managing property that collectively belongs to you and hundreds of thousands of other teachers—and all the potential beneficiaries of the plan. We must, by law, invest to achieve investment returns for all plan beneficiaries.

The law on fiduciary responsibility is inflexible in this regard. We are required by common law and Ontario's *Pension Benefits Act* to meet very high standards of investment behavior.

Under the *Pension Benefits Act*, we are required to manage the fund in a prudent and diligent manner to produce investment returns, and thus to supply the retirement income promised to plan members. By common law, we are obliged to follow an investment policy that maximizes the fund's assets and financial performance for all the beneficiaries of the fund. To do less would be a breach of trust.

## **SOCIAL CAUSES TOO SUBJECTIVE**

To its advocates, social investment means that companies should not be judged solely on the basis of return. Rather, there are factors of social behavior that need to be monitored, measured and evaluated. But how do you do this?

The range of issues or concerns embraced by the term social investment covers virtually anything that anyone might be concerned about.

There is no accurate or necessarily fair way to measure and interpret so much divergent data. In the end, you have to make a subjective judgment call. This is not easy to do, unless your views on investment are driven by ideology. Decisions based on ideology undermine the primary purpose of pension plans—to optimize investment returns to provide retirement income.

*Continued on page 4*



## REAL-LIFE RETIREMENT

The latest in a series featuring retired teachers who have found fulfilling ways to enjoy their retirement.

Anne Wyse is a distinguished volunteer. The retired elementary school teacher from Ottawa has received two honours this year. In June she was one of 23 Canadians to receive the Canada Volunteer Award, an honour given annually to individuals who have made "outstanding voluntary contributions toward improving the health and social well-being of their fellow citizens." Last month she was one of 12 recipients of this year's Ontario Medal for Good Citizenship.

Since being diagnosed with Lupus almost 20 years ago, Anne has volunteered with the Ontario Lupus Association (OLA). "Even though I'm quite humbled by these awards," explains Anne, "I enjoy receiving them for my Lupus friends. Any attention I receive helps raise awareness of this painful disease."



Anne receives the Canada Volunteer Award from the Minister of Health David Dingwall.

## Retirement Planning Workshops

### PLAN NOW, ENJOY LATER

Attend an OTF weekend workshop and you'll gain useful tips on retirement and financial planning. A team of customer service specialists will also be there to give you an overview of the pension plan and to answer your questions. For more information, contact your federation or association.

#### Workshop Schedule

Nov. 28-29	Hamilton
Dec. 13-14	Belleville
Jan. 17-18	Toronto
Apr. 4-5	Barrie
Apr. 11-12	Goderich
Apr. 25-26	Sault Ste. Marie
May 9-10	Thunder Bay

#### EXCHANGE

is a publication prepared by the Ontario Teachers' Pension Plan Board. We welcome your comments and suggestions.

Feel free to call the editor, John Cappelletti, at (416) 730-5351 or 1-800-668-0105, or fax at (416) 730-5346 or write to:

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#### OFFICE HOURS

Monday to Friday  
 8:00 am to 5:30 pm

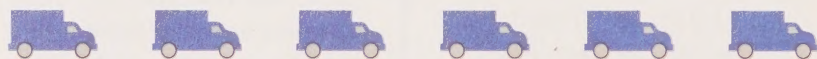
#### TELEPHONE

(416) 226-2700 or 1-800-668-0105

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## MOVING?

DON'T FORGET TO SEND US YOUR NEW ADDRESS

All our publications are sent to you at your home address, including information of personal interest to you, such as your annual statement of benefits. If we don't know where you are, we can't reach you!

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